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AUG 13 2002

August 13, 2002

VIA COURIER

Ms. Marlene H. Dortch, Secretary
Federal Communications Commission
Wireline Competition Bureau
P.O. Box 358145
Pittsburgh, PA 15251-5145

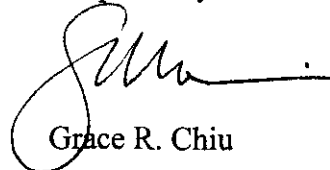
Re: Application of McLeodUSA Incorporated for Domestic Section 214
Authorization to Transfer Control of its Domestic Common Carrier Subsidiaries,
Illinois Consolidated Telephone Company and McLeodUSA Public Services,
Inc., to Homebase Acquisition Corp.

Dear Ms. Dortch:

On behalf of McLeodUSA Incorporated ("McLeodUSA") and Homebase Acquisition Corp. ("Homebase") (together "Applicants"), enclosed please find an original and six (6) copies of the application for Commission approval to transfer control of McLeodUSA's wholly owned subsidiaries, Illinois Consolidated Telephone Company and McLeodUSA Public Services, Inc., to Homebase. Also enclosed is a check in the amount of \$815.00, payable to the FCC, which satisfies the filing fee required for this application under line 2.b. of Section 1.1105 of the Commission's rules. Please date-stamp the enclosed extra copy of this filing and return it in the envelope provided.

Please direct any questions regarding this filing to the undersigned.

Respectfully submitted,



Grace R. Chiu

Counsel for McLeodUSA Incorporated

Ms. Marlene H. Dortch, Secretary
August 13, 2002
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Enclosures

cc: William Dever (WCB) (via e-mail)
Tracy Wilson (WCB) (via facsimile)
David R. Conn (McLeodUSA)
Veronica Ahern (Nixon Peabody)
Richard M. Rindler

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of the Application of)

McLEODUSA INCORPORATED)

For Domestic Section 214 Authorization to)
Transfer Control of its Domestic Common Carrier)
Subsidiaries, Illinois Consolidated Telephone)
Company and McLeodUSA Public Services, Inc.,)
To)

HOMEBASE ACQUISITION CORP.)

WCB Docket No. 02- 257

APPLICATION

I. INTRODUCTION

McLeodUSA Incorporated ("McLeodUSA" or "Transferor") and Homebase Acquisition Corp. ("Homebase" or "Transferee") (McLeodUSA and Homebase, together, "Applicants"), by the undersigned counsel, hereby request authority pursuant to Section 214 of the Communications Act of 1934, as amended,¹ and Sections 63.03 and 63.04(a) of the Commission's rules,² to transfer control of McLeodUSA's indirect, wholly owned subsidiaries, Illinois Consolidated Telephone Company³ ("ICTC") and McLeodUSA Public Services, Inc.⁴ ("MPS" and ICTC, together, the "McLeodUSA Subsidiaries"), to Homebase. Homebase is a newly formed privately held Delaware corporation whose principal business is telecommunications. Attached hereto as Exhibit A is an illustrative chart depicting the corporate

¹ 47 U.S.C. § 214.

² 47 C.F.R. §§ 63.03 and 63.04(a).

³ ICTC is an independent incumbent local exchange carrier that owns and operates telecommunications facilities over which it provides local exchange, exchange access and competitive telecommunications services in east central Illinois.

For the Transferee:

Veronica Ahern
Nixon Peabody LLP
401 9th Street N.W., Suite 900
Washington, D.C. 20004-2128
Tel: (202) 585-8000
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Email: vahern@nixonpeabody.com

(4) Ownership of Applicants.

Transferor: Attached hereto as Exhibit B is a list of the entities that currently directly or indirectly own ten percent (10%) or more of the equity of McLeodUSA.

Transferee. At closing, the following entities will directly or indirectly own ten percent (10%) or more of the equity of Homebase:

(a) Name: Homebase Acquisition LLC ("HAL")
Address: P.O. Box 1234
Mattoon, Illinois 61938
Citizenship: USA
Percentage Owned: 100%
Principal Business: Telecommunications

The following entities will own HAL:

(b-1) Name: Central Illinois Telephone LLC ("CIT")
Address: 121 South 17th Street
Mattoon, Illinois 61938
Citizenship: USA
Percentage Owned: 33.3%
Principal Business: Telecommunications

(b-2) Name: Spectrum Equity Investors IV, L.P.
Address: One International Place
Boston, Massachusetts 02110
Citizenship: USA
Percentage Owned: 28.6%
Principal Business: Investment

(b-3) Name: Providence Equity Partners IV, L.P.
Address: 50 Kennedy Plaza
Providence, Rhode Island 02903
Citizenship: USA
Percentage Owned: 33.3%
Principal Business: Investment

- (c) The following individuals will each own 25% of CIT. Collectively, these individuals (who are personally related to one another) will have actual control of CIT. As a result, these individuals collectively will indirectly own 25% of the equity of Homebase ($75\% \times 33.3\% = 24.99\%$). None, however, individually will indirectly own ten percent (10%) or more of the equity of Homebase.

Name: Richard Lumpkin
Address: 121 South 17th Street
Mattoon, Illinois 61938
Citizenship: USA
Principal Business: Telecommunications

Name: Mary Ann Sparks
Address: 2438 Campbell Rd., N.W.
Albuquerque, New Mexico 87104
Citizenship: USA
Principal Business: Personal investing

Name: Margaret L. Keon
Address: 16 Miller Ave., Suite 203
Mill Valley, California 94941
Citizenship: USA
Principal Business: Personal investing

No other person or entity will at closing directly or indirectly own ten percent (10%) or more of the equity of Homebase.

- (5) McLeodUSA certifies for itself, ICTC and MPS pursuant to Sections 1.2001 through 1.2003 of the Commission's rules that neither it, ICTC nor MPS is subject to a denial of Federal benefits pursuant to Section 5301 of the Anti-Drug Abuse Act of 1988, 21 U.S.C. § 3301.

Homebase certifies pursuant to Sections 1.2001 through 1.2003 of the Commission's rules that it is not subject to a denial of Federal benefits pursuant to Section 5301 of the Anti-Drug Abuse Act of 1988, 21 U.S.C. § 3301.

(6) Description of the transaction.

ICTC and MPS are indirect, wholly owned subsidiaries of McLeodUSA. Homebase intends to acquire control of ICTC and MPS by purchasing 100 percent of the capital stock of ICTC and 100 percent of the capital stock of MPS. Attached to this Application as Exhibit A is an illustrative chart depicting the corporate structure of the parties prior to and following consummation of the transaction.

(7) Description of geographic areas served by Applicants and their affiliates.

Transferor: McLeodUSA provides through its operating subsidiaries integrated communications, including interstate services, primarily in 25 Midwest, Southwest, Northwest and Rocky Mountain states.⁵

The McLeodUSA Subsidiaries. The McLeodUSA Subsidiaries each hold blanket domestic Section 214 authorization and provide regulated telecommunications services in the geographic areas specified below.

Illinois Consolidated Telephone Company (ICTC)
FRN: 0004-5557-12

ICTC is an independent incumbent local exchange carrier that owns and operates telecommunications facilities over which it provides local exchange, exchange access and competitive telecommunications services in east central Illinois.

McLeodUSA Public Services, Inc. (MPS)
FRN: 0004-9631-46

MPS provides domestic interstate and intrastate telecommunications services, including operator assisted and/or private payphone services, in Illinois, Indiana, Missouri, Ohio, and Wisconsin.

Transferee: Homebase does not currently provide service in any geographic area.

⁵ McLeodUSA's operating subsidiaries that provide regulated telecommunications services, excluding ICTC and MPS, include McLeodUSA Telecommunications Services, Inc., Dakota Community Telephone, Inc. and McLeodUSA Telecom Development, Inc.

(8) Presumptive Streamlined Treatment.

Applicants submit that this Application presumptively qualifies for streamlined treatment pursuant to Section 63.03(b)(1)(ii) of the Commission's rules because Homebase, the transferee, is not a telecommunications provider.

(9) Related Applications.

A subsidiary of Transferor, McLeodUSA Telecommunications Services, Inc. ("MTSI"), is filing applications with the Commission to assign all of its common carrier paging radio station licenses to Homebase. MTSI, however, will remain a wholly owned subsidiary of Transferor and therefore this Application does not request section 214 authorization to transfer control of MTSI to Homebase. No other Commission applications relate to the transaction that is the subject of this Application.

(10) Special Consideration.

Applicants are not requesting special consideration of this Application.

(11) Waiver Requests.

No waiver requests have been filed in conjunction with the transaction.

(12) Statement of Public Interest.

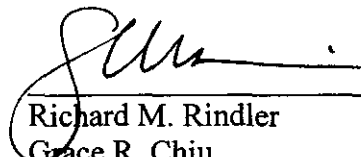
Grant of this Application will serve the public interest, convenience and necessity by promoting competition among telecommunications carriers. Specifically, approval of the proposed transfer of control of the McLeodUSA Subsidiaries to Homebase will enable a new entrant to establish a competitive presence in select geographic markets and to concentrate its resources and expertise on providing innovative and diversified service offerings for consumers in these markets. These enhancements will inure directly to the benefit of existing customers of ICTC and MPS as well as to consumers generally in the domestic telecommunications marketplaces these carriers serve.

Approval of the transfer of control will also enhance McLeodUSA's ability to strengthen its competitive position by implementing its long-term growth plans in its core markets. The transfer of control of the McLeodUSA Subsidiaries to Homebase will contribute to increasing McLeodUSA's operational flexibility and efficiency, as well as long-term financial viability. The proposed transfer of control will therefore ensure the continued provision of innovative, high quality telecommunications services to the public and should promote competition in the U.S. domestic telecommunications service market.

III. CONCLUSION


Wherefore, for the reasons stated herein, Applicants respectfully submit that the public interest, convenience and necessity would be furthered by grant of this Application for domestic Section 214 authority to transfer of control of the McLeodUSA Subsidiaries, Illinois Consolidated Telephone Company and McLeodUSA Public Services, Inc., to Homebase Acquisition Corp.

Respectfully submitted,



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Counsel to McLEODUSA INCORPORATED and
the McLEODUSA SUBSIDIARIES



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Counsel to HOMEBASE ACQUISITION CORP.

Dated: August 13, 2002

LIST OF EXHIBITS

EXHIBIT A Illustrative Chart

EXHIBIT B Current Ownership of McLeodUSA Incorporated

Certification of Transferor, McLeodUSA Incorporated

Certification of Transferee, Homebase Acquisition Corp.

EXHIBIT A

Illustrative Chart

EXHIBIT A

Transfer of Control of Illinois Consolidated Telephone Co. and and McLeodUSA Public Services to Homebase Acquisition Corp.

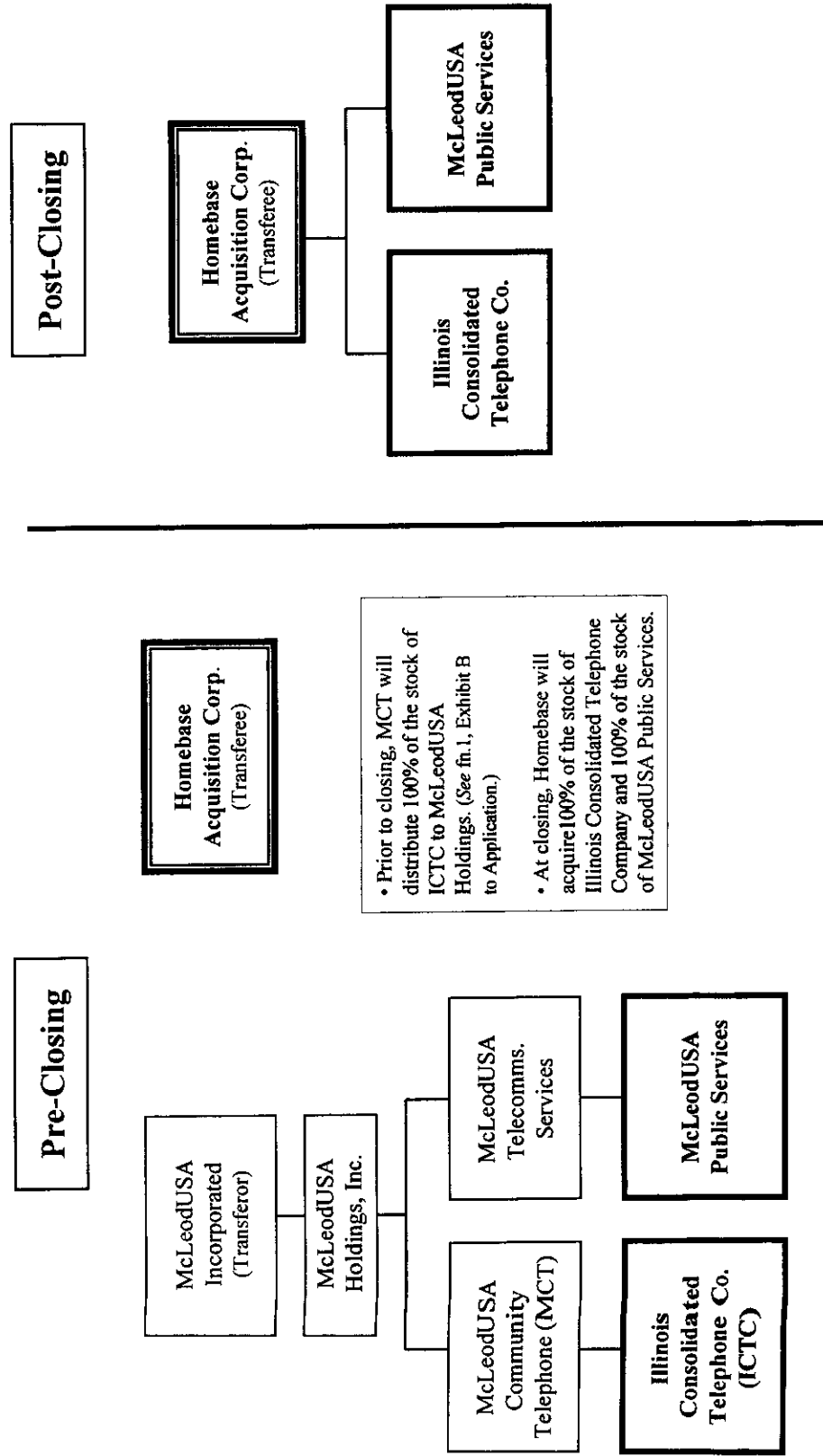


EXHIBIT B

**Current Ownership of McLeodUSA Incorporated
and the McLeodUSA Subsidiaries**

**Current Ownership of
McLeodUSA and the McLeodUSA Subsidiaries**

- (a) The following entity owns 100% of Illinois Consolidated Telephone Company¹:

Name:	McLeodUSA Community Telephone, Inc. ("MCT")
Address:	5100 S. McLeod Lane Sioux Falls, South Dakota 57108
Citizenship:	USA
Principal Business:	Telecommunications

The following entity owns 100% of MCT:

Name:	McLeodUSA Holdings, Inc.
Address:	McLeodUSA Technology Park 6400 C Street, SW Cedar Rapids, Iowa 52406-3177
Citizenship:	USA
Principal Business:	Telecommunications

- (b) The following entity owns 100% of McLeodUSA Public Services, Inc.:

Name:	McLeodUSA Telecommunications Services, Inc. ("MTSI")
Address:	McLeodUSA Technology Park 6400 C Street, SW Cedar Rapids, Iowa 52406-3177
Citizenship:	USA
Principal Business:	Telecommunications

The following entity owns 100% of MTSI:

Name:	McLeodUSA Holdings, Inc.
Address:	McLeodUSA Technology Park 6400 C Street, SW Cedar Rapids, Iowa 52406-3177
Citizenship:	USA
Principal Business:	Telecommunications

¹ Prior to the consummation of the transfer of control of ICTC to Homebase, there will be a *pro forma* transfer of control of ICTC to McLeodUSA Holdings, Inc. ("MHI"). Specifically, McLeodUSA plans to accomplish an internal corporate restructuring pursuant to which the voting stock of ICTC will cease to be owned by MCT and instead will be owned by MHI. Because MHI will continue to be owned by McLeodUSA, the internal corporate restructuring will not result in a change in ICTC's ultimate ownership and control. Therefore, the *pro forma* transfer of control of ICTC is authorized pursuant to Section 63.03(d) of the Commission's rules, 47 C.F.R. § 63.03(d).

Current Ownership of McLeodUSA and the McLeodUSA Subsidiaries (cont'd):

- (c) The following entity owns 100% of McLeodUSA Holdings, Inc.:

Name: McLeodUSA Incorporated
Address: McLeodUSA Technology Park
6400 C Street, SW
Cedar Rapids, Iowa 52406-3177
Citizenship: USA
Percentage Owned: 100%
Principal Business: Telecommunications

- (d) The following entities directly or indirectly own ten percent (10%) or more of the equity of McLeodUSA Incorporated.

- (i) Name: Forstmann Little & Co. Equity Partnership-V, L.P.
("Equity-V")
Address: 767 Fifth Avenue
New York, NY 10153
Citizenship: USA
Percentage Owned: 11%
Principal Business: Investment

The sole general partner of Equity-V is:

Name: FLC XXX Partnership, L.P. ("FLC XXX")
Address: 767 Fifth Avenue
New York, NY 10153
Citizenship: USA
Principal Business: Investment

The general partners of FLC XXX are:

Names: Theodore J. Forstmann, Sandra J. Horbach,
Thomas H. Lister and Winston W. Hutchins
Address: 767 Fifth Avenue
New York, NY 10153
Citizenship: USA
Principal Business: Investment

Current Ownership of McLeodUSA and the McLeodUSA Subsidiaries (cont'd):

(ii) Name: Forstmann Little & Co. Subordinated Debt
and Equity Management Buyout Partnership-VII, L.P.
("MBO-VII")
Address: 767 Fifth Avenue
New York, NY 10153
Citizenship: USA
Percentage Owned: 17%
Principal Business: Investment

The sole general partner of MBO-VII is:

Name: FLC XXXIII Partnership, L.P. ("FLC XXXIII")
Address: 767 Fifth Avenue
New York, NY 10153
Citizenship: USA
Principal Business: Investment

The general partners of FLC XXXIII are:

Names: Theodore J. Forstmann, Sandra J. Horbach,
Thomas H. Lister, Winston W. Hutchins,
Jamie C. Nicholls and Gordon A. Holmes
Address: 767 Fifth Avenue
New York, NY 10153
Citizenship: All of the above individuals are citizens of the USA,
except Gordon A. Holmes who is a citizen of the
Republic of Ireland.
Principal Business: Individuals

(iii) Name: Forstmann Little & Co. Equity Partnership-VII, L.P.
("Equity-VII")
Address: 767 Fifth Avenue
New York, NY 10153
Citizenship: USA
Percentage Owned: 14%
Principal Business: Investment

The sole general partner of Equity-VII is:

Name: FLC XXXII Partnership, L.P. ("FLC XXXII")
Address: 767 Fifth Avenue
New York, NY 10153
Citizenship: USA
Principal Business: Investment

Current Ownership of McLeodUSA and the McLeodUSA Subsidiaries (cont'd):

The general partners of FLC XXXII are:

Names:	Theodore J. Forstmann, Sandra J. Horbach, Thomas H. Lister, Winston W. Hutchins, Jamie C. Nicholls and Gordon A. Holmes
Address:	767 Fifth Avenue New York, NY 10153
Citizenship:	All of the above individuals are citizens of the USA, except Gordon A. Holmes who is a citizen of the Republic of Ireland.
Principal Business:	Individuals

* * * *

No other person or entity directly or indirectly owns ten percent (10%) or more of the equity of McLeodUSA.

CERTIFICATION

On behalf of McLeodUSA Incorporated and its indirect wholly owned subsidiaries, Illinois Consolidated Telephone Company and McLeodUSA Public Services, Inc., I hereby certify that the statements in the foregoing Application for Section 214 Authority are true, complete, and correct to the best of my knowledge and are made in good faith.

McLeodUSA Incorporated



By: David R. Conn

Vice President and Deputy General Counsel

August 9, 2002

CERTIFICATION

On behalf of Homebase Acquisition Corp., I hereby certify that the statements in the foregoing Application for Section 214 Authority are true, complete, and correct to the best of my knowledge and are made in good faith.

Homebase Acquisition Corp.

A handwritten signature in cursive script, reading "Donald R. Shassian".

By: Donald R. Shassian

Title: Vice President

August __⁹__, 2002